COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 10/13/2015	(3) CONTACT/PHONE Emily Jackson, Principal Administrative Analyst 781-5011	
(4) SUBJECT Consideration of a report regarding the County's Fiscal Year 2016-17 financial forecast. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive and file this report regarding the County's Fiscal Year 2016-17 financial forecast.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT N/A	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT **{ }** Consent **{ }** Presentation **{ }** Hearing (Time Est. ___) **{x}** Board Business (Time Est. 30 min)			
(11) EXECUTED DOCUMENTS **{ }** Resolutions **{ }** Contracts **{ }** Ordinances **{x}** N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A **{ }** 4/5 Vote Required **{x}** N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY **{ }** N/A Date: ___________	
(17) ADMINISTRATIVE OFFICE REVIEW This item was prepared by the Administrative Office			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo

TO: Board of Supervisors

FROM: Emily Jackson, Principal Administrative Analyst

DATE: 10/13/2015

SUBJECT: Consideration of a report regarding the County's Fiscal Year 2016-17 financial forecast. All Districts.

RECOMMENDATION

It is recommended that the Board receive and file this report regarding the County's FY 2016-17 financial forecast.

DISCUSSION

The purpose of this report is to provide a detailed financial forecast for Fiscal Year (FY) 2016-17 and a longer term fiscal outlook. The report is organized as follows:

- Executive Summary
- Methodology and Purpose of the Forecast
- Fiscal Outlook for FY 2016-17
- Detailed County General Fund budget forecast for FY 2016-17
- Conclusions
- Economic data and trends (Attachments 1–8)

Executive Summary

The FY 2016-17 forecast is in line with prior years' expectations and reflects a budget that is increasing at a rate of 2-4%. The growth is reflective of the County's disciplined approach to budgeting to ensure long-term financial stability.

In late FY 2013-14, the County hit the bottom of its financial difficulties that were driven by the great recession of 2008. This forecast assumes that revenues will increase at roughly 2-4%, that labor costs will continue to increase, and that a 2% Consumer Price Index (CPI) increase will apply to non-labor costs (largely driven by energy/fuel costs). Staffing levels at the start of FY 2015-16, totaled 2,368.25 Full-Time Equivalent (FTE) employees, representing growth of just approximately 3.2% compared to the prior year. Given the numerous variables at play, the likely range of discretionary increase for the upcoming fiscal year is $5 to $9 million.

The following report provides the details of how this forecast was created, the corresponding implications, and recommendations for moving forward. The Budget Goals and Policies, Budget Balancing Strategies and Approaches, and Board priorities which together provide the framework in which the budget is prepared, will be brought to your Board for review and consideration in November and will guide FY 2016-17 budget development.

Methodology and Purpose of Forecast

The purpose of this forecast is to provide the best estimate at this point in time for the fiscal capacity of the General Fund for FY 2016-17. In addition, this report provides a longer term outlook with respect to economic conditions, which will impact the County budget in future years. This forecast is only focused upon the General Fund (e.g. does not include non-General Fund departments such as Roads or Libraries) and assumes a Status Quo budget. Generally speaking, a Status Quo budget is defined as one that takes current year staffing and program levels and costs them out for the next year with no material changes (i.e. inflationary increases only and <u>no increases or decreases to staffing levels</u>). Lastly, it is assumed that grants currently received would continue.

The same methodology that was applied in prior years was used to generate this forecast.

While the forecast includes anticipated impacts of known programmatic changes at the State such as Realignment, it does not include any potentially negative effects of State budget and recently passed legislation. Put another way, the assumption is that any loss of revenue from the State would be accompanied by a commensurate reduction of expenditures (i.e. program and service level reductions would be made). If it is decided that significant levels of local funds would be used to backfill any portion of State revenue reductions, the relatively positive overall budget direction could swing to a projected gap for FY 2016-17.

Fiscal Outlook for FY 2016-17

Background and Overview

Despite international volatility, the United States economy is continuing to expand. According to the U.S. Bureau of Economic Analysis, the Gross Domestic Product (GDP) increased by a seasonally adjusted rate of just 0.6% in the first quarter and 3.9% in the second quarter of 2015. In late September, the projected growth rate for consumer spending, which accounts for more than two thirds of U.S. economic activity, was revised to 3.6% from the 3.1% rate reported in August. This increase is reflective of low gasoline prices and relatively high housing prices. Many experts are now projecting that overall GDP growth will fall in the 2.6% range, slightly outpacing the 2.0%-2.5% range previously projected. This growth rate essentially mirrors the rate for the last 4 years. By comparison, the average rate of GDP growth between 1947 and 2015 was 3.25%. The GDP for California has generally tracked the U.S. GDP through the recession and subsequent recovery. Beginning in 2012, the California GDP grew at rates slightly higher than the rest of the country. Overall, California's economy is projected to continue to outpace the U.S. through 2020.

One of the key shifts driving the slower GDP growth is U.S. age demographics, including lower population growth rates. U.S. population growth has markedly slowed since the 1960s (post baby boom). At the same time, as the last of the baby boom generation passes age 50, consumer spending rates are decreasing as expected based on historic age spending trends. To help put this age 50 and older shift in context, the number of U.S.-born citizens turning 50 in 2014 declined by nearly 273,000 compared to 2007 rates and nearly 900,000 fewer people will be turning 50 in 2023 compared to 2014. Currently, close to 31% of the U.S. population is age 50 or older.

In the current year, personal disposable income for the average American is growing at an annualized rate of 3.4%; compared to the 5.8% average from 1990-2008 and 10% average increases in the 1970s and 1980s. Again, age demographics appear to have been an important driver in shaping increase rates. As baby boomers leave the full-time workforce and move into retirement, they have less disposable income. This results in lower consumer spending rates and lower overall disposable incomes. This shifting demographic is expected to keep a lid on long-term economic growth.

The July 2015 national unemployment rate improved to 5.3%, compared to 6.2% in the prior year. After several years of high unemployment (peaking nationally at 9.8% in April of 2010), this rate has now returned to a level that is considered healthy (4%-6%). Across California, unemployment rates in July 2015 were higher, at 6.5%, though this represents considerable decline from a rate of 7.9% in July 2014. Non-farm employment has continued to expand, with the most notable job gains being seen in the professional, scientific and technical services sectors. These jobs account for nearly a quarter of all new jobs in the state and represent high-skilled jobs that pay over $100,000 per year on average. While this is good news for some, many workers continue to experience difficulties finding new employment as their pre-recession jobs have not returned. Through the recession, the local unemployment rate remained below that of the State and Nation. The County's unemployment rate was 4.9% in July 2015, down from 6.1% in July 2014.

Key National Issues

Similar to the current year, there is no single Federal action or initiative that is expected to have direct, dramatic effects on the County's budget in FY 2016-17. Instead, there are several significant issues in Washington that could substantially impact the economy, many of which are not directly economic in nature. These issues include:

- The conflict in Syria and resulting refugee crisis and potential for US military action;
- The war on terrorism;
- The continued implementation of the Affordable Care Act;
- Various issues related to energy and the environment;
- The continued threat of the spread of infectious disease, both nationally and internationally;
- Comprehensive immigration reform; and

- Efforts to strengthen the middle class.

As has been reported in prior forecasts, the high level of political polarization continues to complicate the economic forecast. The two major political parties continue to be unwilling and unable to reach a middle ground; and with only hours to spare, Congress passed a temporary spending plan to avert a government shutdown and keep Federal agencies operating through December 11th. As a result, long-term economic and budgetary solutions at the Federal level remain vague. Despite the passage of a temporary spending bill, one of the most urgent issues that the must still be confronted is the potential need to again raise the Federal debt ceiling to avoid default (the ceiling was most recently raised in March 2015).

Key State Issues

Overall, the State's financial condition continues to be the single largest impact to the County's budget in both the near and longer term. Despite a FY 2015-16 budget that is structurally balanced, California's financial position remains precarious. California's budget includes a prior year balance of $2.4 billion, General Fund revenues and transfers of $115 billion, and expenditures of $115.4 billion. Consistent with the prior year, there are still considerable risks and liabilities associated with the State's budget, including hundreds of billions of dollars in liabilities for deferred maintenance on aging infrastructure, and for retiree health care benefits for state employees and various pension benefits. In response to these liabilities, the budget includes $125 million to address the most critical deferred maintenance and establishes a trust fund for the prefunding of retiree health benefits. Another risk is the expiration of Proposition 30, which was passed in 2012 and raised sales taxes and increased personal income taxes on high wage earners. These revenue streams have firm end dates (sales tax increases in 2016 and income tax increases in 2018) and represent a significant challenge for the State. Today, Proposition 30 generates approximately $15 billion in revenue for the State's budget.

Like the Federal government, the State is also facing a number of challenging issues that are not directly economic in nature; but could have significant financial impacts on the County. Consistent with the current year, issues related to water, education, housing, and transportation infrastructure will continue to be the focus of discussion in FY 2016-17.

Water:

California is now in the fourth year of its worst drought of the past century. According to the U.S. Drought Monitor, an estimated 36.7 million Californians reside in drought affected areas. Today, 72% of the State is in extreme or exceptional drought, down from 82% at this time last year. The improvement is due to recent precipitation in the far northern region of the State. Despite this, nearly 100% of the State remains at a severe or higher drought intensity level, with our local area continuing to be one of the worst affected. Issues at the State level include investments in local surface water storage facilities, unregulated groundwater, water quality, environmental issues affecting the water supply, and water use and conservation. The drought has direct economic impacts such as those seen in California's Central Valley, where as much as one-half of the country's fruits and vegetables are produced. This year's agriculture related revenue losses due to the drought are expected to exceed $1 billion and result in the loss of over 17,000 seasonal and farm jobs.

In addition to water shortage issues, models indicate that there is a 90% chance that El Niño conditions will continue into winter 2015, with an 85% chance they will continue into early spring 2016. At this point, it is too early to tell what the potential economic impact might be from any damage associated with El Niño conditions. Despite these predictions, it should be acknowledged that making seasonal climate forecasts of precipitation is scientifically difficult. Regardless of projections, even a strong El Niño event is not expected to make up for the rainfall deficit that the state has experienced in the last several years, and the long term hydrological drought is likely to continue.

Education:

California's K-12 schools educate over 6 million children. The current budget plan for the State includes $50.5 billion for K-12 educational programs. The FY 2015-16 budget represents a $3,000 increase in per pupil spending over FY 2011-12 levels. Despite this, and while the State dedicates the largest share of its budget to fund education, its per-pupil spending levels still rank among the nation's lowest. California's overall system of education ranks near the bottom of all states, yet educates nearly one-eighth of the nation's students.

Housing:

Many Californians can't afford their rent and the State's housing affordability crisis has worsened since the depths of the recession, as rising home prices and rents have outpaced income growth. In San Luis Obispo County, rising home prices have allowed current homeowners to refinance their existing mortgages and have supported a steady apartment rental market. However, increasing home prices have not been beneficial to prospective home buyers. Many studies that provide a housing affordability "index" show San Luis Obispo as less affordable than the rest of California and two or three times less affordable than the rest of the nation. But, housing affordability is not just a problem for those looking to buy a home. Homelessness rates are rapidly growing in various parts of the State following the recession due to rising rents and housing prices. Locally, San Luis Obispo County has the third highest rate of unsheltered homeless individuals nationally, when compared to communities of a similar size. In recognition of this, the community has recently seen an infusion of Federal and State dollars to address issues of homelessness. Despite the availability of funding, the lack of affordable housing presents a significant barrier to housing the homeless and other low income residents.

Transportation Infrastructure:
Transportation infrastructure needs, from roads to high speed rail, continue to impact the State's budget. Nearly every trip taken by Californians begins on a city street or county road. Californians expect reliable and well-maintained streets, roads, and highways, whether traveling by bicycle, bus, rail, or personal vehicle. Funding for this infrastructure is at risk, and there is a significant focus on climate change, building sustainable communities, and the need for multi-modal transportation. Locally, the County of San Luis Obispo Board of Supervisors has set a policy for maintaining the overall average pavement in the "Good" category with a Pavement Condition Index (PCI) at or above 65. The PCI value describes the percentage of structural life left in the paved surface. A PCI of 100 represents a new road while a PCI of 20 represents a bad road surface at the end of its useful life. With $11.1 million dedicated to the County's pavement management program in FY 2015-16, the current target for the local PCI rating in FY 2015-16 is 63.

At this time, the State has provided little resolution to the question of how to fund improved maintenance of roads, highways and other infrastructure and has not developed a comprehensive expenditure plan for Cap and Trade revenues to reduce greenhouse gas emissions that contribute to climate change. Both of these issues will be a focus of the upcoming State legislative season.

County Outlook
The County's budget outlook fits well with the theme of slow and steady improvement often referred to as "the new normal." As with the rest of California, local economic conditions are improving. This year's forecast projects that property values (assessed values) will increase by 5% when restoration of values from Proposition 8 properties is included. This growth is consistent with increases seen towards the end of last year.

While these increases are good news, the County has limited options to increase revenues (over 70% of revenues are derived from the Federal/State governments and property taxes). As a result, the County's primary lever for maintaining a balanced budget remains on the expenditure side of the equation. To ensure long-term fiscal stability, the County will need to carefully evaluate increases to contingencies, reserves, and designations while paying close attention to additional expenditures for programs and services, and employee compensation.

Finally, the local housing market continues to improve. While sales prices are up compared to the prior year, much of the improvement continues to be driven by a decline in the number of distressed properties in the region. Overall, building activity is up approximately 19% compared to the prior year.

Detailed County General Fund Budget Forecast for FY 2016-17

This forecast is broken into two broad categories, financing sources (money coming in) and expenditures (money going out). Within financing sources there are three categories:

- Fund Balance Available (FBA), which is the money available at the end of one fiscal year for use as a financing source in the next fiscal year;
- Non-departmental revenue, which consists of property taxes, sales taxes, and transient occupancy taxes; and
- Departmental revenue, which consists of state/federal funding, grants and fees.

For California counties, the latter (departmental revenue) is attached to a specific departmental budget while the former two are available to balance the "bottom line."

Expenditures are also broken into three categories – labor costs, non-labor costs, and contingencies (money set aside for unforeseen events).

The attachments to this document display trends for key non-departmental revenue sources, building permits, foreclosure activity, and unemployment rates. The revenue charts display the trends in actual dollar amounts as well as the percent change from year to year.

Revenue Forecast:

Fund Balance Available (FBA):

The first funding source for the General Fund is Fund Balance Available (FBA) from the prior year. FBA is the money that is left at the end of one fiscal year that can be rolled over as a funding source for the next fiscal year. It comprises contingencies not spent, revenues that come in over budget, and expenditures that come in lower than budget.

The assumption is that FBA will be $22-23 million at the end of FY 2015-16, which would be available for use in FY 2015-16. The FY 2015-16 budgeted General Fund contingency is $22 million and it is assumed that only $2 million of this would be spent (roughly 10%) and the remainder would fall to FBA. Also, it is assumed that departments will end FY 2015-16 $3 million under their collective amount of budgeted General Fund support. This component of FBA is largely attributable to salary savings as a result of vacant positions.

It is worth emphasizing that FBA varies significantly from year to year and is difficult to forecast because it is influenced by every line item in the overall budget (there are over a thousand line items). Additionally, contributions to FBA from contingencies or departmental expenditure savings are reduced when prevailing wage increases are granted mid-year. The adopted FY 2015-16 salary and benefits for all fund centers is $266 million. The General Fund adopted amount is smaller, coming in at $253 million. Consequently, each 1% in prevailing wage increase granted in FY 2015-16 could have a $2.53 million impact on General Fund FBA.

Non-Departmental Revenue (Discretionary Revenue):

The table below outlines the assumptions for the FY 2016-17 forecast for <u>non</u>-departmental revenue:

Revenue	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Budget	2016-17 Forecast	% Diff: 15-16 Bud & 16-17 Forecast
Secured Prop Tax	$85,849,449	$89,713,527	$95,519,790	$98,811,867	$105,322,474	6.6%
Unitary Tax	$7,838,110	$7,722,211	$7,812,487	$7,822,000	$8,152,658	4.2%
Supplemental Prop Tax	$1,067,548	$1,418,012	$2,419,982	$1,000,000	$1,000,000	0.0%
Prop Tax in lieu of VLF	$26,700,191	$27,606,476	$29,193,219	$30,360,948	$32,522,958	7.1%
Prop Transfer Tax	$2,177,596	$2,244,508	$2,370,039	$2,245,000	$2,500,000	11.4%
Sales Tax	$13,769,517	$11,357,639	$11,405,724	$10,199,578	$10,600,000	3.9%
TOT	$7,710,936	$8,020,592	$8,724,202	$8,021,000	$9,160,000	14.2%
All Other	$13,457,130	$18,920,955	$26,723,077	$10,667,828	$12,116,254	13.6%
Total (Non-Dept. Rev.)	**$158,570,477**	**$167,003,920**	**$184,168,520**	**$169,128,221**	**$181,374,344**	**7.2%**

Notes about Non-Departmental Revenue:

The FY 2016-17 secured property tax estimate assumes a 5% increase in assessed values over FY 2015-16 projected amounts. This increase, when combined with an expected 1.5% projected increase in FY 2015-16, yields a total 6.6% year-over-year increase (FY 2015-16 budget to FY 2016-17 forecast). The 6.6% total includes restoration in value for many Proposition 8 decline in value properties throughout the County.

The amount of sales tax received during FY 2012-13 ($13.7 million), FY 2013-14 ($11.3 million), and FY 2014-15 ($11.4 million) were high due to significant, one-time revenues from the solar construction projects in the Carrizo Plain. Given the one-time nature of the solar projects and the fact that the projects and associated permitting will be substantially completed in FY 2015-16, additional one-time sales tax revenues are not included in this forecast. The 3.9% projected increase in sales tax is due to general economic improvement.

This forecast assumes that current county tax rates will remain relatively flat for the foreseeable future (e.g. sales, transient occupancy, and utility users tax rates would not be increased). As a result, increases in those areas are based upon use.

Departmental Revenue:
The following table outlines the assumptions for departmental revenue. Departmental revenue is received by departments and is generally restricted in use for specific purposes.

Revenue	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Budget	2016-17 Forecast	% Diff: 15-16 Bud & 16-17 Forecast
Prop 172	$21,044,833	$22,368,086	$24,175,579	$24,955,016	$26,071,312	4.47%
1991 Realignment	$23,373,343	$19,568,981	$19,814,696	$20,926,599	$21,790,393	4.13%
Health Agency	$48,519,641	$51,087,884	$56,087,268	$60,972,381	$62,504,058	2.51%
Social Services	$73,676,720	$76,494,583	$85,492,737	$89,866,579	$92,205,594	2.60%
Other	$56,586,719	$59,037,562	$63,516,015	$63,667,139	$63,667,139	0.00%
Total (Dept. Rev.)	**$223,201,256**	**$228,557,096**	**$249,086,295**	**$260,387,714**	**$266,238,496**	**2.25%**

Notes about Departmental Revenue:
The estimates for the Health Agency and Department of Social Services were provided by the respective departments, based upon their understanding of any changes that may be coming to the programs and services they provide. The figures noted above for the Health Agency only include those which are part of the General Fund (e.g. does not include Medically Indigent Services Program, Driving Under the Influence, etc.)

For FY 2016-17, "Other" revenue was assumed to be flat compared to the FY 2015-16 budget.

Expenditure Forecast:
This section forecasts the cost of a Status Quo budget for FY 2016-17. As previously noted, a Status Quo budget is defined as one that takes current year staffing and program levels and costs them out for the next year with no material changes (i.e. inflationary increases only, no increases or decreases to staffing levels, and no new or expanded service levels). Lastly, it is assumed that grants currently received would continue.

The assumptions built into the expenditures forecast are as follows:

- A 2.5% increase to salary and benefits, to account for wage increases that were already granted and the County is contractually obligated to pay. Due to timing issues, the expense associated with this increase was not included in the FY 2015-16 budget. Any additional salary and benefit increases granted to employees will result in less funds being available to increase reserves and contingencies, or allocate towards programs. To illustrate this point, a 1% increase in salaries for General Fund employees would cost approximately $2.5 million annually.

- A 1.5% pension rate increase. This projected increase is higher than it has been historically, and is largely due to the poor performance of the stock market and its impacts on Pension Trust. In accordance with most existing labor agreements, pension rate increases are typically split 50/50 between the County and employees (the impact to the County budget forecast is a 0.75% rate increase). This is only an estimate as the updated actuarial evaluation of the Pension Trust will not be available until late spring or early summer 2016. The assumed 0.75% pension rate increase would cost the County approximately $1.4 million annually.

- No rate increase for Pension Obligation Bonds or Other Post-Employment Benefits.

- No changes to liability and workers compensation charges. During the recession, charges to departments were reduced as a budget balancing strategy, and previous surpluses were relied upon to close the gap. In each of the last two years, charges have been increased back to near historical levels. Both programs have been well managed to control costs and as a result, no additional increase is projected for FY 2016-17.

- A $14,134 increase in the amount contributed to the Fire equipment replacement reserve compared to FY 2015-16.

- A $1.5 million increase to programmatic expense in the Department of Social Services. This expense is offset by commensurate revenue increases in the Department of Social Services (there is no General Fund impact) and includes:
    - A 3% rate increase for Foster Care clients.

- A 5% rate increase for CalWORKs clients
- Increased Medi-Cal expense related to the continued implementation of the Affordable Care Act
- Increased Workforce Investment Act expense

- A $547,174 increase to programmatic expense in the Health Agency. This expense is offset by commensurate revenue increases in the Health Agency (there is no General Fund impact).

- A $15.9 million adjustment to account for one-time transfers to various programs, reserves, and designations made in FY 2015-16. This includes transfers out for current year capital and automation projects, and a one-time allocation to the Roads budget to augment the pavement management program. Also included are transfers to the Capital Projects/Facilities Planning reserves, Countywide Automation reserve, and General Government Building Replacement reserve.

- A 2% Consumer Price Index (CPI) increase for all other, non-labor related costs.

- A 5% General Fund Contingency will remain in place, consistent with Board adopted Budget Goals and Policies. Contingencies were lowered to 4% as part of the short-term solutions to balance the budgets between FY 2009-10 and FY 2013-14. In FY 2014-15, the General Fund Contingency was increased to 4.5% and restored to the full 5% in FY 2015-16.

The assumptions noted above result in the following expenditure forecast:

$252,770,430	FY 2015-16 Adopted General Fund salary and benefits
$7,384,331	2.5% Prevailing wage increase (previously granted and contractually obligated)
$1,376,036	1.5% Pension rate increase (+0.75% to cover County's share)
$191,307,537	FY 2015-16 Adopted General Fund non-salary costs
$1,524,639	Increased Department of Social Services programmatic expense
$547,174	Increased Health Agency programmatic expense
$14,134	Increased contribution to fire equipment replacement
$3,548,669	Increase in other, non-salary related costs (+2% CPI)
-$15,960,021	One-time expenses made in FY 2015-16
$22,125,646	5% Contingency
$464,638,575	**Total Expenditures forecast for FY 2016-17**

Budget Changes:
Per the assumptions noted above, the forecasted structurally balanced budget for the General Fund for FY 2016-17 is:

$470,540,755	Total financing sources (revenues)
$464,638,575	Total financing uses (expenditures)
$5,902,180	**Total forecast available**

It is important to note the sensitivities of the forecast. For example, a 1% change to the various forecast elements has the following impacts:

- $1.8 million Non-Departmental Revenue
- $2.7 million Departmental Revenue
- $2.5 million Salaries and Benefits
- $1.8 million Non-salary Costs

Given the numerous variables at play, the likely range of discretionary increase for the upcoming fiscal year is $5 to $9 million.

Conclusions
Overall, the County's budget is structurally balanced and the financial outlook is positive. Continued compliance with the Board-adopted Budget Goals and Policies will be important to assuring the ongoing fiscal health of the County. Throughout the difficult years, the Board of Supervisors and County staff at all levels did an outstanding job of

implementing fiscal reforms that helped to pursue our collective vision of a Safe, Healthy, Livable, Prosperous, and Well-Governed Community.

OTHER AGENCY INVOLVEMENT/IMPACT

Development of the Financial Forecast is led by the County Administrative Office, with input from other departments as appropriate. The Assessor's Office and Auditor-Controller-Treasurer-Tax Collector assisted in developing the FY 2015-16 projections and FY 2016-17 forecast for non-departmental revenue sources. The Human Resources Department assisted in identifying appropriate funding levels for the Workers Compensation and Liability Insurance funds. The Clerk-Recorder provided information related to foreclosures and the Planning and Building Department provided information related to construction permitting activity, both of which are used as trend data to develop the forecast. The Health Agency and Department of Social Services both developed revenue projections for their respective program areas.

FINANCIAL CONSIDERATIONS

As discussed in this report, it is forecasted that the FY 2016-17 General Fund budget will have a range of $5 to $9 million available for discretionary increases.

RESULTS

Development and presentation of the Financial Forecast is one of the first steps in developing the budget for the coming year. The preparation of the Financial Forecast refines the County's five-year financial outlook and lays the ground work for the budget process by identifying the fiscal capacity of the General Fund for the coming year and guiding the Board in the establishment of its priorities, contributing to the County's goals of a well-governed and prosperous community.

ATTACHMENTS

1. Total Non-Departmental Revenue Trends
2. Assessed Property Value Trends
3. Property Transfer Tax Trends
4. Sales Tax Trends
5. Transient Occupancy Tax (TOT) Trends
6. Building Permit Trends
7. Foreclosure Trends
8. Unemployment Rate Trends